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SUBJECT: ARGENTINA: MEXICAN PRESIDENT CALDERON'S VISIT
SHARPENS FOCUS ON THE KIRCHNER ECONOMIC "MODEL"

REF: BUENOS AIRES 1571

¶1. (SBU) Summary: Mexican President Felipe Calderon paid a state visit to Argentina November 23-25, renewing a diplomatic relationship that had been relatively limited since the 2005 Summit of the Americas at Mar de Plata, despite growing commercial ties over that period. GOA officials emphasized that Calderon was accompanied by over 40 high-level Mexican entrepreneurs, placing the visit squarely in the context of Argentina's response to the global economic crisis. The two presidents addressed a gathering of over 200 business executives on November 24. Calderon's pragmatic call for trade, integration, and judicial security stood in some contrast to President Fernandez de Kirchner's emphasis on state intervention and on blaming the United States (in all but name) for the economic pain being felt by developing countries. Argentine Foreign Minister Taiana told the Ambassador that the visit demonstrated that governments with different world views can still cooperate well in concrete areas, and the Argentine Foreign Trade Secretary said the Mexican businessmen accompanying Calderon were eager to do business. Argentina values its ties to Mexico, and the attentive public reacted to the visit positively. For the GOA, it offered an important complement to other, sometimes challenging, hemispheric ties. Taiana has in the past described the opening to Mexico as "strategic," economically and politically. Coming amidst continuing Argentine headlines about the illicit trade in ephedrine, generally for diversion to Mexico where it is banned, the visit also featured a bilateral agreement to increase collaboration and consultation against the drug trade. End Summary.

Contrasting Economic Discourse

¶2. (U) Both Presidents addressed the high-level business seminar "Argentina-Mexico Opportunities in Trade and Investment" on November 24. Calderon's careful remarks on the global economic crisis received a positive response. His statement that "where the law prevails, investment can flourish" stood in some contrast to President Fernandez de Kirchner's (CFK) approach to economic management during crises, which she said made clear that "the state will be the principal actor in the coming period." Calderon also warned that developing countries should not resort to protectionism in the face of the crisis.

¶3. (U) CFK, who on November 25 announced elements of a GOA response to the crisis (septel), argued that "our societies cannot be allowed to suffer for the errors committed in other

latitudes." Still, she lamented that "our countries have to pay the consequences for actions for which we were not responsible." Calling for "revisiting the model of economic development," which she called "strictly financial capitalism," CFK claimed that Argentina's six-year run of economic growth occurred because "we did the exact opposite" of the policy prescriptions propounded by the developed countries and the IMF.

¶4. (U) She proposed that Mexico and Argentina "combine efforts, mechanisms, resources and intelligence" to mitigate as much as possible the crisis; her additional suggestion that the two countries combine "neurons" to find solutions attracted at least one headline writer. South-south technology transfer, she claimed, was inherently superior to acquiring technology from what she called the "core countries," which she said only transfer their technology via a system that imposes "subordination and dependence" on developing countries. "A unipolar system dominated by a hegemonic power," she said, "helps no one, not even the hegemon itself."

¶5. (SBU) Press reports on the visit focused on the centrality of bilateral trade for both countries, noting that it had risen to almost USD 2.8 billion in 2007. Mexico has also been a major source of direct investment in Argentina. Telmex, represented in Calderon's delegation by Carlos Slim and in Argentina through its "Claro" brand, owns a 35% share of the robust cellular telephone market (there is slightly more than one cell phone per capita in the country). Also participating, along with about 40 other Mexican executives, was Carlos Salazar Lomelin of Coca-Cola FEMSA, the exclusive

Coca-Cola distributor in Argentina (and also President of the Mexican-Argentine Business Committee). FM Taiana told the Ambassador that Argentina's Foreign trade Secretary had said the Mexican businessmen traveling with Calderon were eager to do business. The Mexican Ambassador told the Ambassador that the visit was "fruitful," singling out the bilateral narcotics agreement as particularly significant. The Mexican Political Counselor added to Poloff that a lot of follow-up work is already being generated, especially on the commercial front.

¶6. (U) Newspapers quoted sources in the GOA as emphasizing that the economic relationship with Mexico offers a valued counterweight to the necessarily dominant trade ties between Argentina and Brazil. In addition to receiving significant investment from Mexico, Argentina ran a goods trade surplus with Mexico averaging nearly USD 450 million per year between 2002 and 2006, led by a surplus in automobiles and auto parts. In 2007, the surplus fell to USD 97 million, and through the first three quarters of 2008 Argentina ran a deficit of USD 276 million. Imports from Mexico include telephone equipment and automobiles and auto parts as well.

Bilateral Relations -----

¶7. (U) Calderon spoke positively about the Argentine-Mexico bilateral partnership, saying "we are unquestionably allies." Sources indicated that the two Presidents agreed in the their private meeting at the Casa Rosada to press for full inclusion of Cuba within the Rio Group. Kirchner, for her part, referred to the gratitude of the many Argentines who received asylum in Mexico during the "dirty war" years in Argentina. She suggested that Mexico should continue in its special observer role in Mercosur. Foreign Minister Jorge Taiana told the Ambassador on November 26 that the visit demonstrated that a bilateral relationship involving two governments with different world views could, for reasons of national interest, work well together.

Counter-Drug Cooperation -----

¶8. (U) With continuing government and press attention to the

trafficking of ephedrine through Argentina to Mexico, counter-drug cooperation was a natural and potentially useful part of the visit. Argentine Minister of Justice Anibal Fernandez and his counterpart, Attorney General Eduardo Medina Mora, signed a Memorandum of Cooperation which calls for the exchange of information over four years on drug routes, trends, trafficking networks and clandestine production, chemical precursor trade and money laundering. The agreement also calls for the two countries to work toward the conclusion of a bilateral extradition treaty. Medina said publicly that Mexican cartels were seeking to open new routes through Argentina, an observation of interest in Argentina given Minister Fernandez's frequent and forceful denials that Mexican cartels are operating in the country (reftel).

Buenos Aires Mayor and Congress

¶9. (U) On November 25 President Calderon met with Buenos Aires mayor Mauricio Macri, whose Greater Buenos Aires based PRO party, noted the press, is a better ideological fit with the Mexican PAN. Indeed, Macri joined Calderon in urging against a protectionist response to the global economic crisis, encouraging instead greater economic integration. In his address to a joint session of the Argentine Congress, Calderon emphasized the two countries' shared economic future. He spoke in favor of increased bilateral efforts to fight crime, narcotics trafficking, and corruption, and emphasized his government's commitment to protecting human rights.

An Important Return

¶10. (SBU) Comment: The Calderon visit offered Argentines an interesting contrast in styles, with CFK's more ideological economic discourse contrasting with Calderon's more pragmatic

emphasis. Commentators noted the very different political orientations of the two Presidents and their parties. Still, as FM Taiana acknowledged to the Ambassador, the visit was useful for the GOA. Since former Mexican President Vicente Fox took umbrage at Nestor Kirchner's theatrics at the 2005 Mar de Plata Summit of the Americas, Argentine-Mexican diplomatic relations have been frigid despite continuing growth in private economic ties. For the GOA, stronger diplomatic ties with Mexico offer a complement to and perhaps even occasional counterweight to the Brazil/Mercosur and Venezuela/Bolivarian axes. For Mexico, it appears, Argentina is both an important access point to Mercosur and a bilateral commercial relationship with continued potential for growth.

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